The Iran-Consortium Agreement of 19-20 September 1954 (entered into force on 29 October 1954)

1. Concessionaire:

AIOC/BP (U.K.)	40%
Shell (Dutch/U.K.)	14%
Jersey, Texas, Socal, Gulf, and Socony (U.S.) have each	7%
CFP (France)	6%
Iricon Agency Ltd. (U.S.)	5%*

*Richfield Oil Corp.	1.25%
Signal Oil & Gas Co.	0.833%
Aminoil	0.833%
Getty Oil Co., San Jacinto Petroleum Corp., Standard Oil of Ohio, the Atlantic Refining Co., have each	0.417%

The agreement of October, 1954 provides for the establishment of two companies for the operation of the oil industry in south Persia: Iranian Oil Exploration and Producing Co. to undertake exploration and production, and Iranian Oil Refining Co. to undertake refining; the two are referred to as the operating companies. These companies are incorporated under the laws of the Netherlands, and registered in Persia where they have their management and operating headquarters.

The operating companies have received from Persia and the National Iranian Oil Co. (NIOC) a free lease with the sole and unrestricted right to operate the oilfields and refinery, on behalf of NIOC. The latter is made responsible for the so-called "non-basic" functions such as industrial training, public transport and road maintenance, housing, medical care and social welfare. It is also given the internal distribution of oil products in Persia, and the operation of the small Naft-i-Shah oilfield and the Kermanshah refinery.

The operating companies' shares are 100 per cent held by Iranian Oil Participants Ltd. whose stock in turn is held by the owning companies in the proportions listed above. Another company, Iranian Oil Services Ltd. in which the interests of the participating companies are also held in the same proportions, have been set up to provide the operating companies with supplies, engineering services and non-Iranian personnel. These two companies are incorporated in England, with their head offices in London.

2. Area: 100,000 square miles.

3. Duration: 25 years, renewable for three periods of 5 years each, at the option of Consortium. Each extension is conditional, inter-alia, on a progressive reduction in the area of operations until during the last period the concession covers half the original area.

4. Payments to Government in Return for Complete Fiscal Exemption:

The arrangements between the Consortium and Persia provide for equal sharing of profits on oil operations in Persia. Trading companies, representing the Consortium members, have been established to deal individually, and independently of one another, with the buying and selling in Persia of oil for export. The profits of the trading companies result from the difference between the value of oil sold, and the expenses and fees of the operating companies. The operating companies charge cost of production plus a fee of one shilling per cubic metre of crude oil produced, and the cost of refining plus a fee of one shilling per cubic metre of crude oil refined. The refining margin was originally stipulated to be a minimum sum which, if added to the refining company fee, would give "a result equal to the value at the applicable posted price of 5 per cent of the crude oil so delivered."

The trading companies' receipts on sales to affiliates or outsiders are computed, for Persian income tax purposes, on the basis of crude oil deliveries made to them and the applicable posted price of crude ruling in the Persian Gulf. Posted prices were eligible, for Persian income tax purposes, to a selling expense allowance not exceeding 2.3 per cent of 87½ per cent of the value of crude oil bought by the trading companies, and to volume discounts of 5 per cent on an annual production from 17.5 to 27.5 million cubic metres, 7.5 per cent on an annual production from 27.5 to 35.0 million cubic metres, and 10 per cent on higher quantities produced.

The profits arising within Persia from the trading companies' operations are subject to the Persian income tax. This tax, part of which can be offset by payments made to NIOC, should amount to 50 per cent of the trading companies' net profits. In principle, each trading company buys its crude oil at well head from NIOC for a "stated payment" of 12½ per cent of its posted price at the point of export.

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NIOC may elect to receive crude oil, in lieu of cash, up to $12\frac{1}{2}$ per cent of the Consortium's production for export. Income tax is levied also on the small fee of the operating companies.

NIOC can buy oil products for Persia's internal consumption at cost plus operating companies' fees. It has also a right to all natural gas in excess of the operating companies' and trading companies' needs to the extent it can use this gas as a source of energy internally, or as raw material for a petrochemical industry. It can also offer this gas for sale to the refining company and trading companies at 5 per cent of the posted price of a cubic metre of 37 - 37.9° API crude oil of Agha Jari quality for every 1,000 cubic metres of gas.

All payments to the Persian Government are to be made in sterling, subject to the free convertibility of the latter into U.S. dollars. Otherwise, Persia is entitled to hard currencies in the proportions they are earned from the sale of Persian oil. The operating companies, on the other hand, are able to buy local currency at the best rates obtaining in the commercial market.

The capital required for the development of the oil industry in south Persia is supplied by the Consortium member companies. These companies have also to meet half of the expenses of the "non-basic" operations, the other half is to be provided by NIOC. The assets in the Consortium area were valued, in 1954, at £67 million, of which £41 million were in refinery equipment. Fixed assets are depreciated at 10 per cent per annum and charged to costs; and the depreciation allowances are recuperated by the operating companies.

AIOC (later BP) is to receive from Persia a compensation of £25 million interest-free payable in ten equal annual installments beginning January 1, 1957. AIOC also receives, as quit claim payment from its Consortium partners on surrendering 60 per cent of its erstwhile exclusive rights:[3]

(a) £32.4 million paid over approximately twelve months in three equal installments, the first of which was due when exports from Persia under the effective management of the operating companies began;

(b) the sterling equivalent of 10 cents per U.S. barrel (approximately 5s. 4d. per ton of crude oil) on crude oil and products exported from Persia (otherwise than by AIOC) under the Consortium agreement until a total equivalent to $510 million has been paid.

The agreement with the Consortium guaranteed a minimum production of 17.5 million cubic metres of crude oil in 1955; 27.5 million in 1956, and 35 million in 1957. Thereafter, it has been agreed "to adjust the quantity so attained in such manner as would reasonably reflect the trend of supply and demand for Middle East crude oil." There is no guarantee for quantities to be refined; nevertheless, members of the Consortium agreed to strive collectively for refining the following quantities of crude oil for export: 7.5 million cubic metres of crude oil in 1955; 12 million in 1956, and 15 million in 1957.